Project Cancellation Guidelines

A guideline and checklist/worksheet for helping determine whether a project should be cancelled, and—once such a decision is made—for smoothly ramping down and closing out a cancelled project, taking into account the possibly wide-ranging implications for your company and customers.

Because cancelling a project is a critical business decision and can have many impacts on people, processes, materials, and money within the company. Depending on when it's cancelled, it can also have touchy impacts on customer and partner relationships. Haphazard, less-than-thorough, or insensitive project cancellations are a really bad idea.

This checklist is meant to help you avoid the pitfalls and smoothly deal with the less than ideal, often emotionally sensitive situation a project cancellation involves.

Use Part 1 to help determine whether a project should be cancelled. The material gives guidance for how to assess status as your project proceeds, including at any company-defined checkpoints such as "phase gates" or end-of-phase checkpoints. The items in Part 1 can help you assess whether to cancel the project or try to recover it. It includes items such as:

- Are there warning signs that the project business case cannot be met after all, due to changes in customer requirements, schedule risks, cost estimates, etc.?
- Has the project hit roadblocks such as resource shortages or technical difficulties?
- Has project sponsorship changed and left the project without a champion?
- Given any indicators or problems, are there viable alternatives for recovering the project that will still succeed and yield a viable business case?

Use Part 2 once you've decided that a project should be cancelled. Consider each question raised, and if desired, use the worksheet spaces to do specific planning for a smooth project closeout.

This section includes areas such as:

- Business case and company financial implications
- Impacts on customers, stakeholders, partners
- Implications for project participants, their priorities, careers, and morale
- Disposition of partial project deliverables including documentation, promotions, other materials

- Lessons learned activities.

Project Cancellation Guideline and Checklist

The goal:

Making sound business decisions about the true status of current projects; and in the face of tough project issues, making hard decisions as to whether to proceed, or instead cancel the project. Then, if cancellation is decided upon, executing the transition and closeout process well for the business and for all the people involved.

What's required: A methodical process for assessing the state of a given project, and then planning and executing a shutdown.

Use Part 1

(starting below) **to help determine whether a project should be cancelled.** The checklist items can help assess status as your project proceeds, including at any company-defined checkpoints such as "phase gates" or end-of-phase checkpoints. The items in Part 1 can help you assess whether to cancel the project or try to recover it.

Use Part 2

(starting on page 7) once you've decided that a project should be cancelled. Consider each question raised and, if desired, use the worksheet spaces to do specific planning for a smooth project closeout.

PART 1: DETERMINING WHETHER TO CANCEL A PROJECT

There are 2 major parts to determining whether a project should be cancelled:

- Recognizing signs of trouble as early as possible.
- Determining whether recovery is possible, and how, by assessing the situation frankly and determining what changes to the original project definition could be made to recover the project while still meeting an acceptable business case.

Recognizing Signs of Trouble

Monitor every project for serious issues. The purpose of normal project control processes is to make sure the project is on plan, and if not, to watch for signs of trouble—things like slipped dates, risks realized, cost overruns, unexpected issues with implementing customer requirements. In general, the project manager and project sponsor should look for warning signs on each project.

Warning Signs

- Have multiple milestones in a row have missed their target dates?

- Has a major milestone has been missed by 20% or more—for example, the end of a critical development or testing phase?

- Is the project cost (budget) facing overruns—possibly including overruns due to large changes in resources needed to keep the project on track?

- Have key deliverables run into trouble? For instance, a review may reveal major issues with a deliverable, technical snafus might occur on a development project, or analysis may show that the cost targets for a particular deliverable are unachievable.

- Is the team facing a lack of commitment and/or morale issues? This can manifest as anything from pockets of grumbling to poor team meeting attendance, or to openly ignoring key dates and resisting status reporting.

Use reviews to uncover project threats and impacts. Various reviews held during a project provide specific venues for fact-based assessments as well.

Phase gate reviews: When projects are broken into phases, the end of each phase constitutes a checkpoint for whether the project has successfully reached a critical point. For example, the main focus of a typical set of project phases can be expressed as:

- Project Concept phase: Is the proposed project idea, quickly reviewed in the Concept phase, worth pursuing further into full investigation? Is there a viable business case worth further investigation by a small core team?

- Initiation (or "Investigation and Planning") phase: Has a core team come with a project definition and project plan that makes economic sense for the company and will deliver something customers need, within a workable cost, schedule, and scope?

- Development/Execution phase: Has the project's deliverable been created, reviewed, and tested (as applicable to what is being executed by this project); does it meet its requirements and is it still within its cost targets?

- Approval phase: Has the project's deliverable passed all customer-focused testing and shown itself ready to release, at an acceptable level of quality?

- Delivery phase: Is the deliverable ready for deployment, with all supporting processes and materials in place?

Design reviews and other deliverables reviews: Many reviews focus on the details of one aspect of the project—such as reviewing a software design, or reviewing draft publications for a marketing project, or reviewing draft submission documents for regulatory approval on a medical or biotech project. These reviews are meant to approve a deliverable as it's ready to go to the next stage of implementation and uncover any issues as early as possible in the project. This ensures identified issues

can be corrected at the lowest possible cost, hopefully without jeopardizing the project's costs and timeline.

Project status reviews, including milestones and earned-value: Project reviews, in the form of weekly status reviews or monthly program reviews, generally include current status against plan, often focusing on near-term schedule.

- Where are we against the milestone list? Are we on track for near term milestones? Do we see threats to later milestones?

- Where are we with respect to earned value measurements for the project, e.g. has the work completed to-date cost more in resources than was planned?

Questions every review should consider: It is critical to make sure *all* these reviews—not just the project status reviews, but also design reviews and phase gate checkpoints—include a "step-back" to consider the overall state of the project and their impact:

Will anything uncovered in this review affect:

- The ability to make the original project delivery dates?

- Resources (and thus our ability to stay within the planned project budget and any contingency)?

- Cost target of what is being developed (and thus the profitability or cost savings or other economic benefit the project is supposed to deliver)?

- Scope of what can be delivered in the needed timeframe (and thus customer satisfaction and even the ability to reach the project's economic goals through adequate sales or cost savings)?

And thus, has anything been uncovered that affects the original business case for this project and calls into question whether it should continue?

Determining Whether Recovery is Possible and What Recovery Actions to Take

1. Assess the severity of project issues.

   What is the nature and severity of the project difficulty? This will influence the viability of recovery.

   - Are the current issues of mild concern and worthy of the project being on a watch list—meaning key indicators are headed in the wrong direction but nothing is critical yet?

   - Is the project off track in one dimension but the team can conceive of a recovery plan?

- Is the project off track in more than one dimension, with possibly significant analysis work required to determine a recovery plan?

- Is the difficulty so severe that the project manager alone cannot recover it, but instead significant action and involvement by the project sponsor is required? Does the project have an active sponsor with the commitment and authority to make necessary changes?

- Are the project's stakeholders still satisfied with the project, or are one or more major drivers of the project benefits deemed to be unrecoverable?

2. Assess root causes of problems to help understand whether recovery is viable.

   It's not enough to just assess the outward signs of trouble above. When a project is in trouble, the usual response is to simply start re-planning the rest of the project; for example, adding resources in an attempt to finish the same amount of work in less time and recover a schedule slip. This approach runs the risk of dealing only with the symptom of lateness and not necessarily the root causes of the lateness, and therefore may not actually be able to improve the outcome significantly.

   The team should start any recovery efforts by first understanding the root causes of the project's problems, to make sure they do not underestimate the severity of the situation and believe a recovery is possible when perhaps it is not. As examples of looking for true root causes of project issues:

   - **Does the project have a clear focus on limited critical objectives? Or is the project in trouble because of scope creep?** To hold a desired completion date the team has to carefully choose the features most important for maximizing return on investment, and maintain focus on those goals. No matter where you are in the project schedule, you may not have the right product definition, and changes may still happen to lengthen your schedule further. The fastest and most profitable way to finish the project may be to redefine the product! Taking the time to stop and create—or re-create—a Project Vision or Project Charter will bring team understanding and agreement on what the project must achieve to meet the company's goals and provide insight as to whether it is possible.

   - **Is the project team environment undermining the team's efficiency, morale, and success?** It isn't enough to have a good team in place; the team has to operate within an environment that promotes their sense of mission, supports that mission, and allows them to achieve phenomenal results. If this type of underlying support is missing, schedule updates may not solve the problem. Is there a lack of urgency on your super-urgent project? It will carry over to the super-urgent completion schedule! Are individual team members in the dark about the overall goals of the project? Involve them in creating a Product Vision or Charter. Is the team mired in unproductive work—endless management meetings (especially prevalent for "problem" projects); excessive status reporting; lack of proper

communication tools—slowing them down and probably affecting morale as well? Have the team members analyze individually where their time is going and rate the usefulness of that time to the project's goals. Then make sure the project leader follows through and removes the obstacles to productivity.

- **Is the underlying design of the project deliverable sound or not?** Here the emphasis is on what the team can do with regard to content to ensure success. For example, in a technical development project, system design problems can hide until late in the project. By the time you figure out that integration is a nightmare because the code is "spaghetti," or not modularly designed, the code is already a mess and changing the schedule won't change that fact. Did a number of beautifully optimized subsystems or modules come together to produce a system with sub-par performance? Did the correction of every problem discovered in system test yield bugs somewhere else? Did the first 100 units out of manufacturing work, but the next 100 fail due to poor design margins and varying parts tolerances? All of these problems point to poor systems analysis, design partitioning, and margin definitions.

- If you're late in the project, it might seem that this insight can't help you because there's no time to redesign. Maybe there is. When system failures are caused by system design problems, the tendency is to try to patch the problem. But poorly designed systems do not usually lend themselves to predictable correction. The resulting frustrating, potentially non-converging test and debug cycle may end up taking longer than doing some re-design. For projects behind the eight ball, the best lesson is to look for the underlying system design causes of your problems, and identify where the investment of real correction time will pay off in the long run.

3. Determine recovery alternatives and whether an acceptable business case can be achieved.

   Before deciding how to fix project, the team must also be honest about where it really is with respect to meeting the corporate goals of the project. They can't correctly decide a plan for recovering if they do not know with accuracy where they are with respect to the end-date originally planned, and with respect to being successful at that end-date with the right project deliverable.

   The corporation's definition of success is "return on investment" from a project. For the dollars invested, what is the return in revenue or cost savings? Does it provide what the customers/users want? Can we get ready for deployment fast enough, and at a cost customers are willing to bear? To achieve an acceptable return on investment on any project, the team must still be able to meet an acceptable balance of the above factors. Any recovery plan must take this into account.

   To help decide what a viable recovery plan with acceptable business outcomes could be, use knowledge from the assessment to answer the following questions.

- **Regarding your stakeholders and customers:** Based on any new understanding about customers, what features are still on track? Is the delivery window still the same? Does your business case hold? What options might you have for feature reductions, or defining steps of incremental innovation, by delaying certain things until the next project?

- **Regarding your technical or other "content" challenges and target costs:** Based on identification of technical or other problems and an honest assessment of their level of risk and state of resolution, is this project still technically viable? Are there contingency plans for your remaining innovations or will the project be really dead in the water if they don't work? How predictable can your remaining schedule be considering those risks? If the cost targets are in danger, what is the possible range of variance expected once the problems are solved?

- **Regarding schedule and budget:** After understanding where you are with regard to your design, what tasks do you need to add to a re-planned schedule? What remaining tasks need to be re-estimated? What resources are needed and how much would they cost? When could you realistically deliver the project's results as currently defined?

The assessment helps the team know accurately what it will take to finish and what it might cost. This includes what will have to be fixed in execution to get there, how serious an impact each problem is to the project, and how serious a task fixing each underlying problem might be. A trade-off analysis will ensure that a "return on investment" understanding will lead to the best decision for how to carry out the rest of the project—if it is truly recoverable at all.

The team should participate in these trade-off discussions and decisions. Note that a major benefit here is that we will help the team go beyond re-planning to revitalizing the plan. The team's ability to go forward with high energy and positive attitude is crucial. This is possible when management pays attention to the underlying problems rather than just patching the surface, emphasizes making a tradeoff to hold an acceptable business case rather than blindly sticking to an end-date or a feature set, and involves team members in the decision process.

The following options should be considered:

- Should the project's scope be changed to omit or scale back certain features, to finish as soon as possible with a minimum acceptable feature set?
- Should the project keep the Vision the same and delay the schedule to finish? Sometimes this is not even considered as an option, but it might be the right thing to do! It's important to push away political pressures for holding an original end-date if that date is outside the realm of possibility.
- Should cost targets be relaxed?

- Should the project add resources (and increase its budget) to still try to finish on time, or as close as possible?
- Does the project simply need better or tighter or more experienced management for the rest of the project? Do we have the right leader to go forward?
- Based on our situation, what other options might there be?

4. Decide on cancellation vs. recovery, then re-launch or plan the cancellation.

   The above exercise leads to either a decision to cancel, or a decision on an updated Project Charter with one or more of the schedule, resources, and scope definition updated by the team and approved by the sponsor. If the decision is to recover the project, the detailed assessment of true project state and a management commitment to setting only attainable goals are the best insurance the project can have against further trouble. There is nothing more powerful and more revitalizing in tense project situations than a plan the team believes in, in the context of business goals they can understand.

   If the decision is to recover, the next action is to “re-launch” the project, and do so quickly and decisively. Neither management nor the team can afford to waffle or to linger in failure mode. A clear-cut “re-launch” sends a powerful message, puts the old trouble behind, and sets the team’s eyes ahead to remaining challenges. The launch should communicate the plan openly and honestly to everyone, and gain a fresh new commitment.

   If the decision is to cancel, the next action is to carefully plan the project’s shutdown. Go to Part II and use our Cancellation Checklist to ensure that all the aspects of such this difficult action are taken into account.

PART 2: PLANNING AND EXECUTING THE CANCELLATION SEQUENCE

When it's time to cancel a project, the general closeout steps for any project provide a good foundation. The team can plan for and follow typical closeout steps, with modification for the fact that the project is being cancelled. The Project Manager has the responsibilities for specific project closeout deliverables.

Typical Closeout Steps

- Obtain **sign-off** on the decision to cancel the project, noting the state of the product or service or other project deliverable when cancellation occurred. (Was it to prototype or draft stage? Specs only? Part-way through test?)

- Create an **updated project plan** for the cancellation/closeout activities, and give it to the team leader who assumes responsibility for subsequent work and support, if a different leader will handle the close-out activities.

- Give management **a project staffing plan** with the schedule for reducing the project until cancellation.

- Write a **project transition memo**, directed to all people who have been in contact with the project, communicating the new status of the project and the new contact person. At a minimum, this should be sent to everyone who received a copy of the project charter. See the detailed checklist items on the following pages for more specifics—especially critical communications in case of a project cancellation.

- Perform a **post-project review** (or "lessons learned" review) with the project team, customer, vendors, and management. The focus of the review is:

    - ✓ What worked well?

    - ✓ What did not work well?

    - ✓ What problems led to the project's cancellation? For example, was the original business case flawed? Did we learn something about managing or executing this type project that would reduce the chances of a cancellation in the future?

    - ✓ Update the project history file with final actual performance data and the post project review. The file is then stored and organized for easy access during future projects.

- Give **individual performance feedback** to the team members. In cases where the team member will receive an annual review from another manager, deliver feedback to the manager. This is really critical in the case of a cancellation. Morale will likely be hurt by the cancellation; team members should still receive credit for good work they did on the project.

- Close **Project Accounts** and finalize all billing. If required, audit and close the project budget numbers.

Project Cancellation Impact Areas

Beyond these typical closeout steps, a project cancellation has specific impacts that must be dealt with. These impacts should be dealt with via planning and communication to minimize negative repercussions. The checklist starting on the next page highlights a number of areas and questions to consider. It is formatted as a worksheet to allow you to plan the following:

- Room for you to write exactly how this area applies to your project and its impact.
- Steps needed to address this area.
- Who should be communicated with in each area—critical in a cancellation situation.

Checklist: Cancellation Considerations and Elements of Close-Out Plan

PROJECT NAME: _____ DATE: _____

Project Status at Cancellation:

Phase Reached:

Deliverables Status: Major deliverables' state of completion and degree to which they met their quality or release criteria before cancellation was decided.

Issues: Summary status of open issues, and whether any issues will be resolved before shutdown. (Can reference outside error logs etc.) Summarize in general whether further action will be taken before shutdown, and rationale.

Lessons Learned: (see also our *Lessons Learned Meeting and Report*) Did any key issues with our execution lead to cancellation, and did we see the signs early enough?

Cancellation Plan Considerations:

Business and Financial Ramifications

To Consider: *(These would have been covered in the assessment of whether to cancel the project or attempt recovery, and should be documented here for the record.)*

- How does the cancellation affect the business's strategic plans and financial projections?
- For instance, how does cancellation of this project affect projections for revenue in quarters after its previously-planned release?
- For internal situations, how does cancellation impact any projections for cost-savings or other operational efficiencies?

Related tasks needed in our close-out plan: *e.g. special steps for closing out project with Finance*

Stakeholder Communication Needed

To consider:

- What communication efforts do we need for
  - - Those who cared about the project

- Those who were expecting outputs of project
- Those who were involved and will experience negative morale from its cancellation

- How do we communicate the business rationale of canceling it—why it's best for the company

Related tasks needed in our close-out plan:

Communication to Current Customers Needed

To consider:

- Were some customers slated to get an upgrade including something from this cancelled project? Are we going to offer them an alternative? How to communicate this to minimize loss of business?

- Were any customers slated to be beta test sites? Make plan for communicating to them—including proper executive level depending on nature of customer.

Related tasks needed in our close-out plan:

Contracts and Partners

To consider: *(for each, what action must be taken on each contract and what possible financial impact or legal risks to the company exist?)*

- Are any contracted team members no longer needed? (Move to other projects, or cancel contract?)

- Are any contracts with outside development firms affected? (Manufacturing, publications, etc.)

- Are any equipment leases no longer needed?

- Are any scheduled testing activities no longer needed, e.g. external regulatory or other testing firms?

- Are any licensed inputs or to-be-licensed outputs from this project affected?

- Are any other types of partner efforts affected, including big strategic initiatives that have been announced to public? Are any PR actions needed to mute the impact of cancellation on such partnerships?

Related tasks needed in our close-out plan:

Marketing

To consider:

- Are any established tradeshow plans affected? What is the plan for backing out or substituting?
- Any PR needed, industry spin on cancellation?
- Do we need to cancel any marketing materials creation, internal or external?

Related tasks needed in our close-out plan:

Manufacturing

To consider:

- What is the disposition of related materials, e.g. from module builds in progress or already procured for. Scrap? Save for follow-on project? Re-use on other manufacturing efforts?
- Are any internal department projects/expenditures affected, e.g. development of new test equipment or related programs?
- What decisions are needed on cross-functional work in progress, e.g. process development—abandon or some other reason to continue?

Related tasks needed in our close-out plan:

Documentation and Training – User and Project

To consider:

- If user documentation or training materials have already been printed, what disposition? If not yet printed—what to do with drafts, files etc.? How to be archived in case needed in future?
- If training has been scheduled—what interactions with customers/users to reset expectations, deal with facilities contracts, etc.?
- Specify archiving of project documentation—specifications, designs, literature, build documentation, project management deliverables, etc.

Related tasks needed in our close-out plan:

Customer Support

To consider:

- Are any spares materials affected? What disposition?

- Are any support facilities or programs, in process or existing, affected? What changes are caused?

Related tasks needed in our close-out plan:

Impacts on other dependent projects

To consider:

- Are any other projects expecting deliverables from this project?
- If so, what is the fallback for the other project getting what it needs?

Related tasks needed in our close-out plan:

Effect on the project portfolio

To consider:

- What resources are freed up by this project's cancellation?
- Where should they be assigned? When will that be determined?
- Specify timing of resources freeing up, timing of assignment to other projects.
- Does this change prioritization of other projects on the list?

Related tasks needed in our close-out plan:

Cancellation/Shutdown Plan Signoff

__ Is the full closeout plan established, including all applicable items above?

__ Have all closeout tasks been assigned, including administrative and logistics support needed?

__ What team members need to stay involved to do a clean shutdown and how long for each?

__ What is the timeline for closing out the project? When will the closeout report be issued?

__ What handoff meetings if any will be held between groups?

Signatures: The Signatures of the people below relay an understanding that the key elements of cancellation planning are complete.

Position/Title	Name	Date	Phone Number

Administrative Information

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